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September 16, 2009

Advice 3524-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Annual Reasonableness Review of Pacific Gas and Electric Company's Schedule E-31 Contracts – Compliance Advice Letter Pursuant to Electric Schedule E-31 and D.09-06-025, and Confidential Attachments Submitted Pursuant to PUC Section 583

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this Tier 3 advice letter in accordance with Electric Schedule E-31 and Decision (D.) 09-06-025, *Decision Adopting a Settlement Resolving Modesto Irrigation District's Complaint Against Pacific Gas & Electric Company (PG&E), Regarding Tariff Schedule E-31*.

The purpose of this filing is to comply with (a) PG&E's obligations under Schedule E-31, which calls for an annual reasonableness review of PG&E's E-31 contracts, and (b) D.09-06-025, consistent with the terms of the Settlement Agreement (Agreement) that the California Public Utilities Commission (Commission) therein approved.

In this advice letter, PG&E also describes certain additional actions that it will take to ensure full compliance with the Distribution Bypass Deferral Rate Memo Account (DBDRMA), Preliminary Statement Part CK.

Annual Reasonableness Review

In D.09-06-025, the Commission adopted the Agreement between Modesto Irrigation District (MID) and PG&E resolving MID's complaint that PG&E improperly provided service to customers under Schedule E-31.

Ordering Paragraphs (OP) 2, 4, 5 and 6 of D.09-06-025 state:

2. Pacific Gas and Electric Company shall file annual advice letter reasonableness reviews, with accompanying documentation, as provided for in Article IV of the settlement agreement.¹
4. Pacific Gas and Electric Company shall submit its first reasonableness review advice letter within 90 days of the effective date of this decision.
5. The first reasonableness review shall include a rate review, but not a procedural review because all existing procedural review issues have been resolved in the settlement agreement.
6. Subsequent reasonableness reviews will include both a rate review and a procedural review of any new Schedule E-31 contracts, and only a rate review of contracts in existence after the previous review.

By this advice letter, PG&E submits its "first reasonableness review advice letter" in accordance with OPs 4 and 5 of D.09-06-025.

Section 4.4(e) of the Agreement provides that PG&E may file the data required to comply with the first annual reasonableness review under seal if it is confidential or proprietary. Because the data that the Agreement requires (as specified in Sections 4.4 (a), 4.4 (b), 4.4 (c) and 4.4 (d)) is customer-specific, the information is confidential and PG&E intends to file it under seal in accordance with Section 583 of the California Public Utilities Code. PG&E submits these confidential documents as Attachments A, B, C and D to this advice letter. As specified in the Agreement, PG&E will also provide the documents specified under Sections 4.4 (a), 4.4 (b) and 4.4 (c) to MID separately.

With respect to the rate review required by Section 4.4 (d) of the Agreement, PG&E has conducted its review and found that the revenues it received from customers taking service under Schedule E-31 for the period beginning 2004 and extending through 2008 exceeded the contract floor price, as required by tariff, and herein submits that they were reasonable. As discussed above, information necessary for the Commission to conduct its reasonableness analysis is provided herein under seal in confidential Attachment D to the advice letter. Consistent with Section 4.4 (d) of the Settlement Agreement, PG&E shall not provide confidential Attachment D to MID.

¹ The Commission should review the reasonableness of PG&E's E-31 contracts on an annual basis, and propose the Energy Division review and confirm both (a) the accuracy of PG&E's calculations and the attendant E-31 rates on which its E-31 contracts are based, including, without limitation, compliance with the marginal cost floor price as required by sections 7 and 8 of the Agreement for Customers Taking Service on Schedule E-31, Form No. 79-995 ("Rate Review"), and (b) PG&E's compliance with the procedures set forth for Customers Taking Service on Schedule E-31, Form No. 79-995 and this Agreement ("Procedural Review). Accordingly, PG&E shall submit an advice letter to the Commission each year, requesting the full Commission's approval by resolution. (Article 4.1, § 4.1, Settlement Agreement)

Distribution Bypass Deferral Rate Memorandum Account

For situations where Schedule E-31 is used to retain customers, the difference between the full tariff revenue and the revenue that PG&E receives pursuant to Schedule E-31 is recorded as a debit in DBDRMA. For situations where Schedule E-31 is used to attract customers, the amount of revenue received under Schedule E-31 minus the marginal cost of serving the attracted customers is recorded as a credit in the DBDRMA.

Subject to a determination that the contracts are reasonable, the balance in the DBDRMA is subject to disposition by the Commission, provided however, that the balance is recovered from customers with loads greater than 20 kW. Accordingly, once the contract revenue has been deemed reasonable by the Commission, PG&E will make adjustments to its revenue allocation and rate design in the first subsequent Annual Electric True-Up to ensure that only customers greater than 20 kW are responsible for these amounts.

Specifically, in order to properly allocate the balance to be recovered, PG&E will exclude the balance in the DBDRMA from the allocation of revenue, allocate the remaining revenue under the applicable requirements for revenue allocation and rate design in effect at the time, and then directly assign the balance in the DBDRMA to all customers except those customers served under residential schedules and Schedules A-1, A-6 and A-15.² The balance in the DBDRMA was \$1.8 million as of the end of 2008.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **October 6, 2009**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: anj@cpuc.ca.gov and mas@cpuc.ca.gov

² Section 454.1 states that reallocation of revenue differences resulting from discounting shall not be imposed on residential customers or on commercial customers less than 20 kW. Since eligibility for PG&E's rates is not defined at 20 kW, this set of schedules is being used to implement this provision of Section 454.1.

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective upon approval by the Commission. This advice letter is submitted as a Tier 3 filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to San Heng at (415) 973-2640. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

Handwritten signature of Brian Cherry in cursive script.

Vice President, Regulatory Relations

Attachments: Attachments A-D

cc: Service List, C.07-08-027

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Olivia M. Brown

Phone #: 415.973.9312

E-mail: oxb4@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER =
Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3524-E

Tier: 3

Subject of AL: Annual Reasonableness Review of Pacific Gas and Electric Company's Schedule E-31 Contracts - Compliance Advice Letter Pursuant to Electric Schedule E-31 and D.09-06-025, and Confidential Attachments Submitted Pursuant to PUC Section 583

Keywords (choose from CPUC listing): Compliance

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.09-06-025

Does AL replace a withdrawn or rejected AL? No. If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes, Attachments A-D

Confidential information will be made available to those who have executed a nondisclosure agreement: No
Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: N/A

Resolution Required? Yes No

Requested effective date: October 16, 2009

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). N/A

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Tariff Files, Room 4005
DMS Branch**

505 Van Ness Ave., San Francisco, CA 94102

anj@cpuc.ca.gov and mas@cpuc.ca.gov

**Pacific Gas and Electric Company
Attn: Brian K. Cherry, Vice President, Regulatory
Relations**

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Alcantar & Kahl	Defense Energy Support Center	North Coast SolarResources
Ameresco	Department of Water Resources	Northern California Power Association
Anderson & Poole	Department of the Army	Occidental Energy Marketing, Inc.
Arizona Public Service Company	Dept of General Services	OnGrid Solar
BART	Division of Business Advisory Services	Praxair
BP Energy Company	Douglas & Liddell	R. W. Beck & Associates
Barkovich & Yap, Inc.	Douglass & Liddell	RCS, Inc.
Bartle Wells Associates	Downey & Brand	Recon Research
C & H Sugar Co.	Duke Energy	SCD Energy Solutions
CA Bldg Industry Association	Dutcher, John	SCE
CAISO	Ellison Schneider & Harris LLP	SMUD
CLECA Law Office	FPL Energy Project Management, Inc.	SPURR
CSC Energy Services	Foster Farms	Santa Fe Jets
California Cotton Ginners & Growers Assn	G. A. Krause & Assoc.	Seattle City Light
California Energy Commission	GLJ Publications	Sempra Utilities
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sierra Pacific Power Company
California League of Food Processors	Green Power Institute	Silicon Valley Power
California Public Utilities Commission	Hanna & Morton	Southern California Edison Company
Calpine	Hitachi	Sunshine Design
Cameron McKenna	International Power Technology	Sutherland, Asbill & Brennan
Cardinal Cogen	Intestate Gas Services, Inc.	Tabors Caramanis & Associates
Casner, Steve	Los Angeles Dept of Water & Power	Tecogen, Inc.
Chamberlain, Eric	Luce, Forward, Hamilton & Scripps LLP	Tiger Natural Gas, Inc.
Chevron Company	MBMC, Inc.	Tioga Energy
Chris, King	MRW & Associates	TransCanada
City of Glendale	Manatt Phelps Phillips	Turlock Irrigation District
City of Palo Alto	Matthew V. Brady & Associates	U S Borax, Inc.
Clean Energy Fuels	McKenzie & Associates	United Cogen
Coast Economic Consulting	Merced Irrigation District	Utility Cost Management
Commerce Energy	Mirant	Utility Specialists
Commercial Energy	Modesto Irrigation District	Verizon
Consumer Federation of California	Morgan Stanley	Wellhead Electric Company
Crossborder Energy	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	
Day Carter Murphy	Norris & Wong Associates	